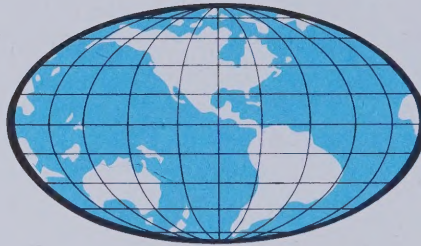


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ATLAS EXPLORATIONS

1972

**DIRECTORS**

Dr. Aaro E. Aho, Vancouver, B.C.
R.E. Gordon Davis, Vancouver, B.C.
John Bruk, West Vancouver, B.C.
H.R. Whittall, Vancouver, B.C.

OFFICERS

John Bruk, Chairman of the Board
R.E. Gordon Davis, President & Chief Executive Officer
Selwyn B. Jones, Secretary-Treasurer

HEAD OFFICE

330 - 355 Burrard Street,
Vancouver 1, B.C.

CONSULTANT

Dr. A.E. Aho

SOLICITORS

Lawrence & Shaw, Vancouver, B.C.

AUDITORS

McDonald, Currie & Co., Vancouver, B.C.

TRANSFER AGENT

The Guaranty Trust Company of Canada,
Vancouver, B.C.

ANNUAL MEETING

Friday, May 4th, 1973 at 2:00 p.m.
The Alouette Room, Hotel Vancouver,
Vancouver 1, B.C.

ATLAS EXPLORATIONS LIMITED

Suite 330 — 355 Burrard Street
Vancouver 1, British Columbia

NOTICE OF
ANNUAL GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual General Meeting of the shareholders of Atlas Explorations Limited (hereinafter called the "Company") will be held in the Patricia Room of the Hotel Georgia, 801 West Georgia Street, Vancouver, British Columbia, Canada, on Wednesday, the 31st day of May, 1972 at the hour of ten o'clock in the forenoon (Local Time) for the following purposes:

1. To receive the report of the Directors to the Shareholders and the comparative consolidated Financial Statements of the Company including the Auditors' Report thereon;
2. To elect Directors for the ensuing year;
3. To appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration;
4. To consider and to adopt an Ordinary Resolution to confer general authority on the Directors to take or acquire securities in other corporations by purchase or otherwise.
5. To transact such other business as may be properly brought before the meeting.

The report of the Directors and the comparative consolidated Financial Statements for the fiscal year ended 31 December, 1971 and the Auditors' Report thereon form part of the Annual Report of the Company, a copy of which accompanies this Notice.

Shareholders who are unable to attend the meeting in person and who wish to ensure that their shares will be voted at the meeting are requested to complete, sign and mail the enclosed proxy in accordance with the instructions set out in the proxy.

An Information Circular accompanies this Notice.

DATED at Vancouver, British Columbia this 12th day of May, 1972.

BY ORDER OF THE BOARD,

"JOHN BRUK",
Secretary.

ATLAS EXPLORATIONS LIMITED

Suite 330 — 355 Burrard Street
Vancouver 1, British Columbia

INFORMATION CIRCULAR

AS AT 9 MAY 1972 FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON WEDNESDAY, THE 31ST DAY OF MAY, 1972.

Solicitation of Proxies

The information circular is furnished in connection with the solicitation by the management of Atlas Explorations Limited (the "Company") of proxies to be used at the Annual General Meeting of shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The cost of solicitation by the management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are the President and the Secretary of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING HAS THE RIGHT TO DO SO, either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to Guaranty Trust Company of Canada, at its offices at 540 Burrard Street, Vancouver, British Columbia, not less than 48 hours before the person named therein purports to vote in respect thereof.

A shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to Guaranty Trust Company of Canada at its said offices not less than 48 hours before the person named in the proxy already given purports to vote in respect thereof; or (b) as to any matter on which a vote has not already been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to Guaranty Trust Company of Canada at its said offices at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, or to the Chairman of the meeting on the day of the meeting.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR ADOPTION OF THE ORDINARY RESOLUTION APPROVING THE CONFERRING OF GENERAL AUTHORITY ON THE DIRECTORS TO TAKE OR ACQUIRE SECURITIES IN OTHER CORPORATIONS AS SET FORTH IN ITEM 4 OF THE NOTICE OF MEETING AND FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters which may properly come before the meeting.

At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters.

Voting Shares

On 9 May, 1972, 4,959,262 ordinary shares of a par value of 50¢ each of the Company were issued and outstanding as fully paid and non-assessable, each share carrying the right to one vote.

To the knowledge of the Directors and Senior Officers of the Company, no person or company beneficially owns shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company, except Dynasty Explorations Limited, 355 Burrard Street, Vancouver, B.C. which beneficially owns 1,200,166 shares representing 24.2% of the outstanding shares of the Company.

Any person or company registered as a shareholder of the Company at the commencement of the meeting will be entitled to vote at the meeting. However, a person appointed under a form of proxy will be entitled to vote the shares represented by that form only if it is effectively deposited in the manner set out under the heading "Appointment and Revocation of Proxies."

Election of Directors

The Board presently consists of four directors whose names are set forth below and who will be nominated for election at the meeting. The persons named in the enclosed form of Proxy intend to vote for the election of these nominees. The management does not contemplate that any of the nominees will be unable to stand for election but if that should occur, the persons named in the enclosed form of proxy reserve the right to vote in their discretion for another nominee. Each director elected will be entitled to hold office until the next annual general meeting of the Company, unless he is earlier removed from office in accordance with the Articles of Association of the Company. The following table sets out the names of the nominees, all offices with the Company now held by them, their principal occupations, the period of time for which each has been a director of the Company, and the number of shares beneficially owned by each of them, directly or indirectly as of May 9, 1972.

Name, Address and Position Held	Principal Occupation or Employment*	Appointed a Director of the Company	Shares Beneficially Owned
Dr. Aaro E. Aho Chairman of the Board, President and Director	President of the Company and of Dynasty Explorations Limited, Vancouver, B.C.	November 16, 1965	190,188
R. E. Gordon Davis Executive Vice-President and Director	Executive Vice-President of the Company and Executive Vice-President of Dynasty Explorations Limited	November 16, 1965	252,789
John Bruk Secretary and Director	Barrister and Solicitor, partner in the firm of Lawrence & Shaw, Vancouver, B.C., Solicitors for the Company	August 8, 1967	1,324
H. Richard Whittall Director	Partner in Richardson Securities of Canada, Vancouver, B.C. since September 1, 1966	February 27, 1969	100

*The information as to shares beneficially owned is not within the knowledge of the Company and has been furnished by the respective directors.

Remuneration of Directors and Senior Officers

During the year no directors' fees were paid. Aggregate direct remuneration paid or payable by the Company and its subsidiaries for the fiscal year ending December 31, 1971, to the Senior Officers and Directors of the Company including consulting companies controlled by them was \$15,763.

The Company entered into an agreement dated as of January 1, 1969 with Dynasty Explorations Limited ("Dynasty") whereby, among other things, the two companies have agreed to participate in all new projects initiated by either company, with the share interests and cost of each project to be 40% for the Company and 60% for Dynasty, and the two companies have respectively agreed to give to each other the right of first refusal to participate in their respective existing projects. The two companies are located at the same address, have common Boards of Directors and large shareholdings in each other. Under the terms of the agreement Dynasty performs administrative, exploration and technical work in connection with the joint projects. The cost to the Company of participation in such joint projects with Dynasty alone during the fiscal year ended December 31, 1971 was \$1,216. The Company also contributed \$146 to joint ventures in which third parties were participants in addition to Dynasty. In addition, pursuant to an agreement dated as of January 1, 1970, between the Company and Dynasty, overhead and general administrative expenses incurred by either party for the benefit, in whole or in part, of the other are allocated between the parties in such proportion as the respective directors of the Company and Dynasty may from time to time agree. Dynasty is the only shareholder of the Company which owns more than 10% of the issued shares of the Company. The senior officers of Dynasty are Aaro E. Aho, President; R. E. Gordon Davis, Executive Vice-President; Selwyn B. Jones, Vice-President, Corporate; John S. Brock, Vice-President, Exploration; and John Bruk, Secretary. To the knowledge of the Directors and Senior Officers of Atlas, no person beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the outstanding shares of Dynasty.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of McDonald, Currie & Co., Chartered Accountants, Vancouver, B.C., as auditors of the Company to hold office until the next Annual General Meeting of shareholders and to authorize the Directors to fix their remuneration. McDonald, Currie and Co. have been auditors for the Company since its incorporation on the 9th day of November, 1965.

Authorization to Acquire Shares in Other Companies

The Companies Act of British Columbia provides that no public company may acquire by purchase or otherwise shares in any other corporation unless expressly authorized by an ordinary resolution of the Company. A general meeting of the Company may, by Ordinary Resolution, confer a general authority to take or acquire shares of other corporations, which authority expires at the next general meeting of the Company. The Company presently has such authority as a result of a resolution passed at the last Annual General Meeting of the Company, but management believes it advisable that the Company continue to have the power to make acquisitions of this nature during the coming year.

Other Business

The Management is not aware of any other matters to come before the meeting other than those set forth in the Notice of Meeting. If other matters properly come before the meeting, it is the intention of the persons named in the proxy to vote the same in accordance with their best judgment of such matters.

DATED at Vancouver, British Columbia this 12th day of May, 1972.

BY ORDER OF THE BOARD

"JOHN BRUK"

Secretary.

ATLAS EXPLORATIONS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

Several advantageous financial transactions in 1972, together with increased revenues from gas and oil operations and a high level of mineral exploration activity all contributed to a much brighter outlook for your Company at the end of 1972.

After deduction of non-cash expenses such as depreciation, amortization and write-off of abandoned properties, which totalled nearly \$500,000, your Company experienced a very small loss of \$38,354. This compares most favourably with the \$400,000 loss recorded in 1971.

At mid-year, bank debt was reduced by \$500,000 and the \$1.0 million balance renegotiated on more favourable terms. This was accomplished through the sale of part of your Company's shareholding of Dynasty Explorations which at the same time provided some additional funds for operating purposes.

In November 1972, Pemberton Securities of Vancouver underwrote 300,000 treasury shares of your Company and this provided an additional \$98,354 net to the treasury. These funds were utilized partly to maintain your Company's interest in the Selwyn Project, adjoining Canex-Placer's lead/zinc discovery area at Summit Lake, Yukon, partly to satisfy outstanding accounts payable and the balance for normal corporate purposes.

Total value of exploration work performed in 1972 on properties in which your Company holds interests amounted to \$548,674 with the Company itself providing only \$49,730 of those funds. Negotiation of exploration programs requiring minimum Company expenditures is a continuing endeavour and the success achieved to date reflects the potential of your Company's mineral properties.

DYNASTY EXPLORATIONS LIMITED

Your Company owns 110,900 shares of Dynasty Explorations, equal to 3.6% of its issued shares. During 1972, market value of these shares increased from \$5.95 to \$7.65 per share.

Dynasty has recently reported earnings equal to \$1.47 per share and noted that strong base metal and silver markets suggest comparable or higher profitability in 1973 for the Anvil Mine of which it is a 40% owner.

Your Company and Dynasty share common boards of directors, staff and premises and operate closely in joint venture exploration activities.

ATLAS OIL AND GAS, LIMITED

(Wholly-owned subsidiary)

The Lake Erie wells produced 625 million cubic feet of natural gas during 1972 compared to 396 million cubic feet in 1971. This sizeable increase was due mainly to a re-routing of delivery lines around non-producing wells to overcome recurring icing problems. In November, compressor facilities were installed to eliminate pressure differentials at delivery points and this installation simultaneously increased the contract sale price of the gas by 2¢ per Mcf to 39¢ per Mcf.

Development of the secondary water flood program in the Willey Oil Field progressed satisfactorily through the year. Response is lagging approximately six months behind forecast but, on average, planned production levels are being achieved.

ATLAS EXPLORATIONS LIMITED

Operating profit doubled to \$158,000 in 1972 from \$75,600 in 1971. Increased production incurred higher depreciation and amortization charges but reductions in administration and debt charges contributed to a net cash profit of \$73,000 in 1972 compared to a net cash loss of \$27,000 in 1971.

The advantage of increased production and higher sale price was only experienced in the last quarter of 1972. The effect upon a full year of operations in 1973 will be considerably greater.

MINERAL EXPLORATION

For the most part financial limitations prevented your Company from actively participating in exploration programs this past year. However, several important joint venture programs were undertaken with and operated by Dynasty Explorations Limited including the staking of key properties in the Summit Lake area where Canex-Placer have made a significant lead-zinc discovery.

Full information concerning your Company's interest in its various projects and properties is set out below and in the Schedule of Mineral Properties and Areas of Geological Interest which appears on page 5 of this report.

Selwyn Project

The recent discovery of significant lead-zinc mineralization by Canex-Placer in the Summit Lake area northeast of Ross River, Yukon, together with other geological evidence has focused attention on the base metal potential of a large section of east-central Yukon and adjacent Northwest Territories.

Late in 1972 three claim groups totalling 152 claims were staked directly adjacent to the Canex-Placer property. A widespread regional program combined with detailed evaluation of the properties will be carried out in 1973 at a total planned cost of \$200,000 and an agreement has recently been entered into with Numac Oil and Gas Limited and Shield Resources Limited to finance the project. Earlier work by your Company in the northwest part of the project area will provide valuable basic information for the regional joint venture program.

Tintina-Anvil Project

In 1970 and 1971 512 claims were staked in the Swim Lakes and Lower Anvil Creek sections of the Anvil District to cover areas of meta-sedimentary rocks of the same type and stratigraphic position as those containing the Faro lead-zinc deposits currently being mined by Anvil Mining Corporation and the Vangorda and Swim deposits controlled by Kerr Addison Mines. Extensive preliminary surveys were carried out early in 1972 and an additional 224 claims were staked northwest of Swim Lakes.

The **CED-Hoho/Bram** claim groups in the Swim Lakes area were further explored in 1972 under an agreement with Midwest Oil Production Limited, General Crude Oil Company, and Aquitaine Company of Canada Limited. Seven diamond drill holes totalling 3,596 feet were drilled on geophysical anomalies without encountering significant base metal mineralization and plans for 1973 include further geophysical surveys and contingent drilling.

A thorough program of geophysical surveys was carried out on the **Foto** claims northeast of Swim Lakes in 1972 resulting in the definition of several

drill targets and joint venture participation is currently being sought to finance drill testing in 1973.

No work was done on the **Lower Anvil Creek** properties in 1972, but Turam surveys will be undertaken over the most geologically favourable sections of these properties in 1973.

Plata Project

As a result of earlier work by your Company and of prospecting by Dynasty in 1972, several vein zones and occurrences of silver-lead mineralization of Keno Hill type were staked in the Hess Mountains 110 miles north of Ross River. Representative sampling of one showing averaged 326 ounces per ton silver, though overall results indicated an erratic distribution of high values. The most accessible vein zone was drilled late in the year and although assays were disappointing the vein structure showed excellent persistence along strike and down dip. In 1973, a bulldozer will be used to trench the vein zones, float occurrences and geochemical anomalies and further geological and geochemical surveys will also be carried out over the 304 claim property.

Other Projects

A diamond drill program was carried out on the **Scot** claims in the Hess River area north of Ross River under a joint venture agreement with Quebec Cartier Mining Company and Philipp Brothers of Canada Limited. Four holes tested a strong zinc geochemical anomaly but no significant mineralization was encountered.

Dynasty Explorations undertook a limited porphyry copper follow-up program in the Nisling River area of the **Victor Project**, in which your Company has an interest and although no work is planned for 1973 further exploration will be carried out in 1974.

The outlook for 1973 is promising. Financially your Company is in a much stronger position than it has been in recent years. Its investment in shares of Dynasty Explorations has continued to increase in value during the first quarter of 1973 and there is reasonable expectation of a continuation of this trend. Production from the Lake Erie wells is expected to approach three quarters of a billion cubic feet of gas in 1973 and the Willey Oil Field should attain forecast production levels this year.

In mineral exploration, programs in the Summit Lake area, the Plata silver project and the Tintina/Anvil project give added cause for optimism. The 1973 season holds promise of much increased exploration activity in the Yukon and your Company will be keeping a watchful eye on any areas of potential interest.

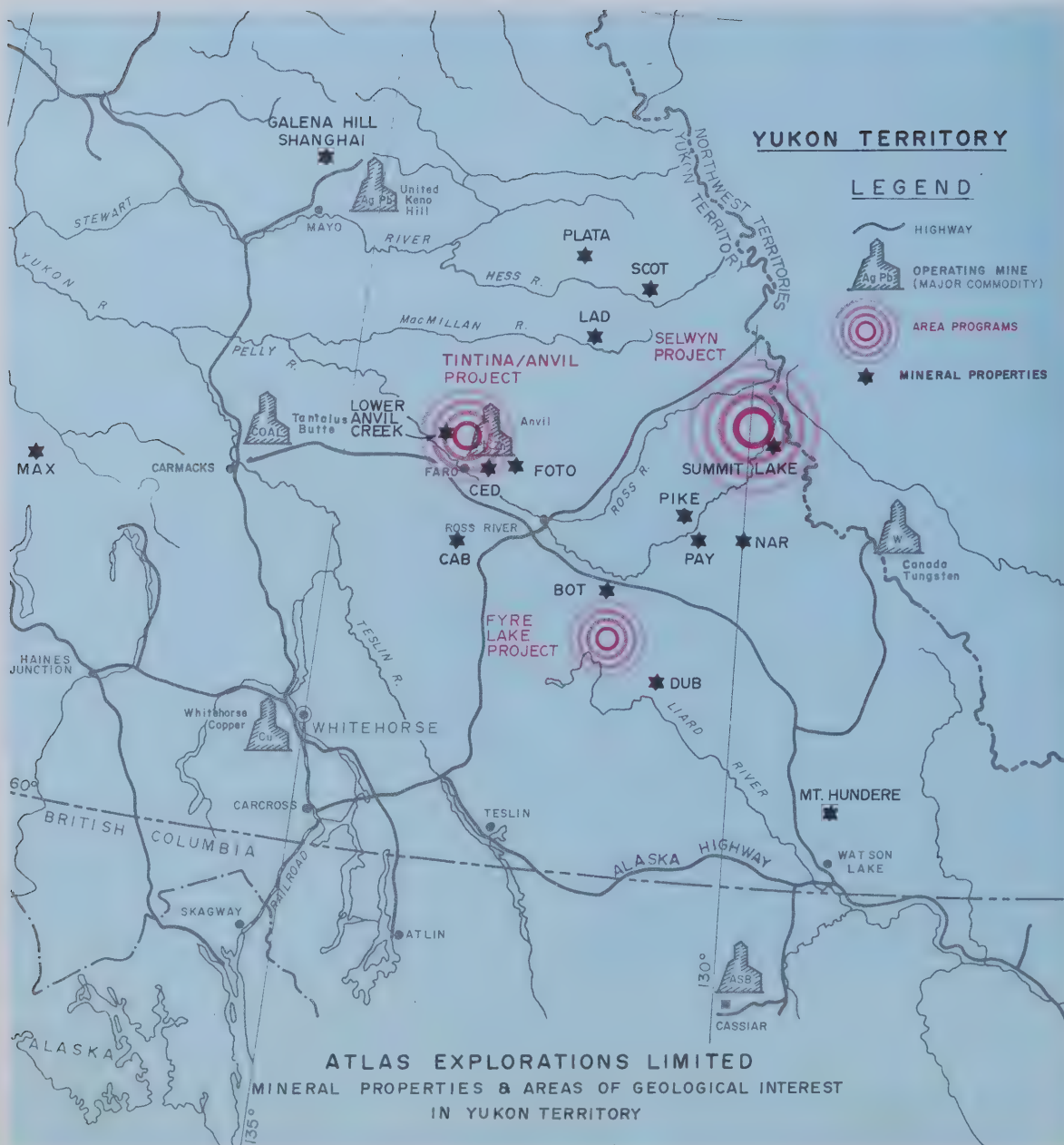
We wish to thank our affiliates, joint venture partners and shareholders for their co-operation and assistance during the past year.

On behalf of the Board of Directors



R. E. Gordon Davis,
President

March 28, 1973



SCHEDULE OF MINERAL PROPERTIES AND AREAS OF GEOLOGICAL INTEREST
AT DECEMBER 31, 1972

		Total cost of explor- atory work performed in 1972 (Note A)	Interest held by Atlas or by a sub- sidiary company at Mar. 15/73 (Note B)	Exploration expendi- tures incur- red by Atlas or by a subsid- iary com- pany in 1972	Cost of projects abandoned in 1972 (Note 5 to Fin- ancial State- ments)	Amortiz- ation 1972	NET INVESTMENT	
							at Dec. 31 1972	at Dec. 31 1971
MINERAL PROPERTIES (Note C)		\$	%	\$	\$	\$	\$	\$
Lake Erie, Ontario	Gas	-	100	-	-	26,940	177,569	204,509
Sombra, Ontario	Gas	-	33.33	30	-	-	66,307	66,277
Wiley, Ontario	Oil & Gas	50,904	10.68	5,438	-	9,992	126,188	130,742
Dub	Copper	1,185	100	1,185	30,520	-	134,580	163,915
Nar	Copper/Silver	-	100	-	-	-	110,226	110,226
Watson Lake	-	-	100	-	42,362	-	-	42,362
Pike/Pay	Copper/Silver/Zinc	5,219	95	5,219	230,696	-	666,604	892,171
Galena/Shanghai	Silver	1,265	90	1,265	-	-	1,236,983	1,235,718
Sierra Gorda (Chile)	Copper	3,959	63	2,642	-	-	638,271	635,629
Mt. Hundere	Lead/Zinc	981	60	981	-	-	84,043	83,062
Lad/Scott	Lead/Zinc/Silver	49,610	55.6	193	-	-	169,186	168,993
Summit Lake (Selwyn)	Lead/Zinc	18,250	40	7,300	-	-	7,300	-
Bot	Asbestos	-	40	-	-	-	6,282	6,282
Tantalus	Coal	-	40	-	9,793	-	-	9,793
Max	Copper/Moly	-	32	-	-	-	83,401	83,401
Lower Anvil	Lead/Zinc	1,711	20	-	-	-	33,615	33,615
Foto	Lead/Zinc	59,022	20	-	-	-	-	-
CED/Hoho/Bram	Lead/Zinc	131,220	20	-	-	-	-	-
Plata	Silver/Lead	163,627	20	-	-	-	-	-
AREAS OF GEOLOGICAL INTEREST (Note C)								
Tintina/Anvil	Lead/Zinc	1,575	20	-	-	-	-	-
Plata	Silver/Lead	18,110	20	-	-	-	-	-
Tintina	Various	-	40	-	-	-	119,788	119,788
Victor	Copper/Moly	16,559	20	-	-	-	124,887	124,887
Other	-	-	100	-	-	-	19,178	19,178
Administrative costs of Company and subsidiaries not allocated to specific properties and programs		-	-	-	-	-	-	-
		25,477	-	25,477	25,477	-	-	-
		<u>548,674</u>		<u>49,730</u>	<u>338,848</u>	<u>36,932</u>	<u>3,804,498</u>	<u>4,130,548</u>

Notes

A) Includes expenditures by co-venturers

B) Certain interests are subject to over-riding royalties or prospectors interest in varying percentages between 5% to 10%.

C) All projects are in the Yukon Territory unless otherwise stated. See map on opposite page for Yukon project locations.

CONSOLIDATED BALANCE SHEET

ASSETS

	1972 \$	1971 \$
CURRENT ASSETS		
Cash	62,922	22,082
Marketable securities (notes 3 and 7 (b))	848,385	994,245
Accounts receivable (note 7 (b))	65,286	55,988
	<u>976,593</u>	<u>1,072,315</u>
INVESTMENTS (notes 1 and 4)	118,890	118,589
MINERAL PROPERTIES AND AREAS OF GEOLOGICAL INTEREST (notes 1, 5, and 7 (b))	3,804,498	4,130,548
FIXED ASSETS (notes 6 and 7 (b))	857,469	925,333
ORGANIZATION COSTS	8,384	8,729
	<u>5,765,834</u>	<u>6,255,514</u>

SIGNED ON BEHALF OF THE BOARD

Director

Director

and Subsidiary Companies

Balance Sheet As At December 31, 1972

LIABILITIES

	1972	1971
	\$	\$
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	111,475	130,264
Current portion of long-term debt.....	140,000	650,000
	<u>251,475</u>	<u>780,264</u>
LONG-TERM DEBT (note 7)	845,000	853,750
MINORITY INTEREST in subsidiary companies	235,881	248,022
	<u>1,332,356</u>	<u>1,882,036</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 8)		
Authorized —		
10,000,000 shares of the par value of 50¢ each		
Issued and fully paid —		
5,259,262 (1971 — 4,959,262) shares.....	2,629,631	2,479,631
SURPLUS.....	1,803,847	1,893,847
	<u>4,433,478</u>	<u>4,373,478</u>
	<u>5,765,834</u>	<u>6,255,514</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Atlas Explorations Limited and subsidiary companies as at December 31, 1972 and the statements of consolidated surplus, earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 7, 1973

McDonald Currie & Co.
CHARTERED ACCOUNTANTS

Atlas Explorations Limited and Subsidiary Companies

STATEMENT OF CONSOLIDATED EARNINGS

For the Year Ended December 31, 1972

	1972 \$	1971 \$
OIL AND GAS		
Net revenue from gas and crude oil sales	235,913	149,199
Operating costs.....	77,876	73,601
Operating profit.....	<u>158,037</u>	<u>75,598</u>
Other expenses:		
Administration	15,624	25,001
Interest on long-term debt (note 7 (b))	59,134	77,383
Depreciation.....	124,025	79,939
Amortization of preproduction costs	36,932	25,531
	<u>235,715</u>	<u>207,854</u>
LOSS FOR THE YEAR BEFORE OTHER INCOME AND EXPENSE	<u>77,678</u>	<u>132,256</u>
OTHER (INCOME) AND EXPENSE		
Costs relating to mineral properties and areas of geological interest abandoned (note 5 (a)).....	338,848	145,905
(Gain) loss on disposal of marketable securities	(197,346)	22,819
Unrealized gain on write-up of marketable securities to market value at end of year.....	(188,530)	(58,485)
Other.....	10,065	1,313
	<u>(36,963)</u>	<u>111,552</u>
Minority interest in costs relating to mineral properties and areas of geological interest.....	(12,141)	
	<u>(49,104)</u>	<u>111,552</u>
LOSS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS		
(loss per share: 1972 - 1/2¢; 1971 - 5¢)	<u>28,574</u>	<u>243,808</u>
EXTRAORDINARY ITEMS		
Looping and meter station costs	17,617	
(Income) expense of closing Chilean mine	(7,837)	153,702
	<u>9,780</u>	<u>153,702</u>
LOSS FOR THE YEAR		
(loss per share: 1972 - 3/4¢; 1971 - 8¢).....	<u>38,354</u>	<u>397,510</u>

Atlas Explorations Limited and Subsidiary Companies

STATEMENT OF CONSOLIDATED SOURCE AND USE OF WORKING CAPITAL

For the Year Ended December 31, 1972

	1972 \$	1971 \$
SOURCE		
Current operations.....	443,863	
Capital stock issued.....	98,354	
Reclassification of bank advances.....		186,750
Fixed asset sales.....	7,481	63,410
	<u>549,698</u>	<u>250,160</u>
USE		
Current operations.....		49,725
Mineral exploration and development (note 5).....	100,464	98,906
Deduct: Received from joint venture partners.....	<u>50,734</u>	<u>1,866</u>
	49,730	97,040
Advances to affiliated company.....	301	1,098
Fixed asset purchases	57,850	
Retirement of long-term debt - net.....	8,750	
	<u>116,631</u>	<u>147,863</u>
INCREASE IN WORKING CAPITAL	433,067	102,297
WORKING CAPITAL — BEGINNING OF YEAR	<u>292,051</u>	<u>189,754</u>
WORKING CAPITAL — END OF YEAR	<u><u>725,118</u></u>	<u><u>292,051</u></u>
REPRESENTED BY:		
Current assets	976,593	1,072,315
Current liabilities	<u>251,475</u>	<u>780,264</u>
WORKING CAPITAL — END OF YEAR	<u><u>725,118</u></u>	<u><u>292,051</u></u>

Atlas Explorations Limited and Subsidiary Companies

STATEMENT OF CONSOLIDATED SURPLUS

For the Year Ended December 31, 1972

	1972 \$	1971 \$
DEFICIT — BEGINNING OF YEAR	4,618,932	4,221,422
Loss for the year	38,354	397,510
Capital stock issue expenses (<i>note 8 (c)</i>)	<u>51,646</u>	<u> </u>
DEFICIT — END OF YEAR	4,708,932	4,618,932
LESS:		
CONTRIBUTED SURPLUS — BEGINNING AND END OF YEAR...	<u>6,512,779</u>	<u>6,512,779</u>
SURPLUS — END OF YEAR.....	<u>1,803,847</u>	<u>1,893,847</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1972

1. VALUES

The amounts shown for investments and mineral properties and areas of geological interest represent costs incurred to date and are not intended to reflect present or future values.

2. PRINCIPLES OF CONSOLIDATION

(a) The consolidated financial statements include the accounts of all subsidiary companies, namely:

- (i) Producing company - Atlas Oil and Gas, Limited
- (ii) Exploration companies - Cima Mines Limited, Mt. Hundere Mines Limited (N.P.L.), Atsui Mining Corporation Limited (N.P.L.), Fortin Mining Corporation Limited (N.P.L.).

(b) The bases for conversion of foreign currency are as follows:

- (i) Current assets and current liabilities - at exchange rates as at December 31, 1972
- (ii) Mineral properties and areas of geological interest and fixed assets - at exchange rates when incurred, acquired or constructed.
- (iii) Revenue and operating costs - at average exchange rates for the year, except for depreciation and amortization which are converted at the rates effective on the dates on which the expenditures on the related assets were made.

(c) The excess of the net book values of the subsidiary companies over the cost of shares at the dates that control was acquired (\$809,753) has been allocated to mineral properties and areas of geological interest.

Atlas Explorations Limited and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 1972

3. MARKETABLE SECURITIES

At December 31, 1972 the Company held 110,900 shares of Dynasty Explorations Limited recorded in the accounts at market value of \$848,385 (\$7.65 per share) which is higher than cost (\$7.32 per share). Because of the large number of shares held, the amount shown for market value of these holdings is not necessarily indicative of their value.

4. INVESTMENTS

At December 31, 1972 the Company owned 303,750 shares of Risby Tungsten Mines Ltd. (N.P.L.), a private company, at a cost of \$107,491 and had made cash advances of \$1,399 without interest or fixed repayment terms for a total investment of \$108,890. Risby Tungsten has issued 750,002 shares of its capital stock and is involved in exploration and development of 106 mineral claims in the Yukon Territory. In addition the Company holds other sundry investments at a cost of \$10,000.

5. MINERAL PROPERTIES AND AREAS OF GEOLOGICAL INTEREST

(a) Costs relating to mineral properties and areas of geological interest are capitalized and are written off if the property or area of interest is abandoned.

(b) The Company entered into an agreement with Dynasty Explorations Limited whereby the companies can participate in all new projects initiated by either company with share interest and costs of each project to be sixty per cent (60%) for Dynasty and forty per cent (40%) for Atlas. In addition, Dynasty and Atlas gave each other the right of first refusal to participate in their existing projects.

(c) Chile-Sierra Gorda project (mining exploration)

Pursuant to amendments to the Political Constitution of the Republic of Chile the ownership of all mining properties belongs to the state. Until a new law determines the manner, conditions and effects on mining concessions, the holders of mining rights will be considered by present legislation, as concessionaires.

Negotiations are continuing with the Chilean government and to date indicate that the present 63% equity will be reduced to some percentage less than 50%; the percentage to be agreed upon will relate to future financial participation.

(d) Ontario (oil and gas production)

The Company has gas and oil properties in Lake Erie and in Dunwich Township, Ontario. Based upon the report dated March 13, 1972 of the petroleum engineering firm operating these properties, the estimated gas reserves of the 100% owned Lake Erie field were 5,490 million cubic feet of gas and for the 10.68% owned Willey Oil field, Dunwich Township, the estimated reserves were 180,400 barrels of oil and 47.8 million cubic feet of gas. This report estimated the net undiscounted cash flow for 12 years to be \$1,227,100 for the Lake Erie field and \$332,100 for the interest in the Willey Oil field for a total of \$1,559,200. During the year the Company produced 625.076 million cubic feet of gas from the Lake Erie field and 5,131 barrels of oil and 11.284 million cubic feet of gas from the Willey Oil field for a net revenue of \$235,913.

6. FIXED ASSETS

Cost of buildings, equipment, pipeline, land and related accumulated depreciation and amortization are:

	1972		1971	
	Cost	Accumulated depreciation and amortization	Net	Net
	\$	\$	\$	\$
Pipeline and gas processing plant.....	1,131,113	274,505	856,608	922,783
Exploration buildings and equipment.....				1,689
	1,131,113	274,505	856,608	924,472
Land.....	861		861	861
	<u>1,131,974</u>	<u>274,505</u>	<u>857,469</u>	<u>925,333</u>

Atlas Explorations Limited and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 1972

7. LONG-TERM DEBT

	Current \$	Long-term \$
(a) (i) General purpose loan - \$500,000		
With interest at the prime bank rate plus 1% (at December 31, 1972, a total of 7%) maturing July 1, 1974.....		500,000
(ii) Pipeline loan - \$485,000		
With interest at the prime bank rate plus 1½% (at December 31, 1972, a total of 7½%) maturing July 1, 1974. However, the loan provides for advance repayment based on earnings from the oil and gas operations and therefore, the principal balance has been split as follows:	140,000	345,000
	<u>140,000</u>	<u>845,000</u>

(b) The loans are secured by the assignment of book debts, oil and gas producing properties and the proceeds of production therefrom, and by the pledging of the marketable securities (note 3). The loans are payable on demand; however, the bank has agreed to repayment terms as noted in (a) above. During the year the interest on the long-term debt totalled \$82,491 of which \$59,134 was charged to operations and \$23,357 was capitalized.

8. CAPITAL STOCK

(a) The Company has agreed to offer Dynasty Explorations Limited 25% of each new issue of the Company's shares on the same terms as offered to others.

(b) The Company has reserved 250,000 shares for an employees' stock option plan. Under this plan, options on 30,000 shares have been granted at the price of 50¢ per share expiring at various dates to 1976, all of which are outstanding at December 31, 1972.

(c) During the year the Company issued 300,000 shares for net cash proceeds of \$98,354.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees or remuneration to senior officers was paid.

10. CONTINGENT LIABILITY

At December 31, 1972, \$256,222 has been received in prior years as grants under Northern Mineral Exploration Assistance Regulations. The grants are repayable with interest, over ten years, if the property for which the grants were received should come into production.

